

0510.05 Shipments

Issued August 31, 1998

SUBJECT: Shipments.

APPLICATION: Executive Branch Departments and Sub-units.

PURPOSE: To specify policies and procedures for receipt and inspection of commodity shipments, for reporting damages and shortages prior to payment.

CONTACT AGENCY: Department of Management and Budget (DMB) - Acquisition Services

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SUMMARY: Agencies are required to **visually inspect** purchased commodities for weight, measure, or count, according to the unit of issue stated on the order. This procedure should be done, whether commodities are purchased from the business community or from State enterprise.

Agencies may use a two or three way match in ADPICS provided internal controls are established.

APPLICABLE FORMS: PCHL5260, Vendor Performance
PCHL1500, Invoice Header Entry
PCHL3100, Receiving Header Definition
PCHL1800, Direct Voucher Header Entry

PROCEDURES:

Freight Payments:

- Should a vendor not use a carrier specified in the purchase order or contract, the difference in the amount charged by the incorrect carrier and the correct carrier shall be deducted from the vendor's invoice.

Responsibility for Loss or Damage:

- F.O.B. Delivered Purchases: For contracts specifying "F.O.B. Delivered," the vendor retains ownership of the commodities until shipment is received and accepted in satisfactory condition. Freight charges and loss or damage in transit are the vendor's responsibility; however, agency must obtain the driver's signature, and notation on the freight bill of any loss or damage.
- F.O.B. Shipping Point and F.O.B. Shipping Point/Freight Allowed Purchases: For contracts written "F.O.B. Shipping Point" or "F.O.B. Shipping Point/Freight Allowed," the State acquires ownership of the commodities as soon as they are transferred from the vendor to the carrier, and the carrier signs the shipper's bill of lading. Freight charges and losses in transit are the responsibility of the State, and must not be deducted from the carrier's invoice. To ensure allowed contract carrier discounts, agencies must use carriers designated by DMB Acquisition Services, for all F.O.B. Shipping Point BPO's and purchase orders. See the **For State Agencies** area of the Acquisition Services website at www.michigan.gov/doingbusiness.

Agencies should contact the carrier directly for all freight claims that are designated "F.O.B. Shipping Point" and "F.O.B. Shipping Point/Freight Allowed" purchases.

Lost or damaged commodities for "F.O.B. Shipping Point" and "F.O.B. Shipping Point/Freight Allowed" shipments will not be replaced by the vendor. If replacement is desired, contact department procurement staff to requisition replacement commodities, either through the DMB Acquisition Services or within delegated purchasing authority, depending on the value of the replacement commodity.

The following steps are required for F.O.B. Delivered, FOB Shipping Point, and F.O.B. Shipping Point/Freight Allowed Purchases. In all instances, agencies should sign for product deliveries.

Inspection:

- Whenever a delivery is made, the agency should verify the quantity of cartons delivered and check for pilferage, damage or signs of possible concealed damage before the driver leaves. If there are any problems with the shipment, the driver's signature and a description of the problem should be recorded on the freight bill. Agencies may opt to refuse all or part of any shipment deemed to be unacceptable.

As soon as possible after receipt, the agency must inspect the commodities to be sure that all of the items meet specifications. All shipments must **visually inspected** for weight, measure, or counted according to the unit of issue stated in the order. Quantities received should be recorded on the ADPICS 3110, Procurement Receiving screen. The person entering the quantities on this screen certifies that the commodities comply with the specifications and are in good condition, except as otherwise noted.

If any food products received are of questionable quality or purity, the agency should contact the DMB, Acquisition Services.

Damage:

- A description of the damages and the driver's signature on the freight bill must be obtained if:
 - Visibly damaged commodities are delivered.
 - Perforations, dents, or other signs of possible concealed damage are observed at the time of delivery. In the event of concealed damage, the driver should add the following notation when signing the freight bill: "Accepted subject to inspection. Carton crushed (punctured, etc. - as the case may be)."

F.O.B. Delivered Shipments: The agency should create a vendor performance record using ADPICS 5260 and mail to the vendor, requesting disposition of the damaged commodities.

F.O.B. Shipping Point and F.O.B. Shipping Point/Freight Allowed Shipments: The agency should contact the carrier, who contacts their claim agent, first by phone and then with a follow-up letter, asking the claim agent to inspect the shipment and furnish the agency with a copy of the inspection report. Before signing the inspection report, be sure it is correct and complete. Copies of the freight bill and the inspection report must be forwarded to the vendor within 14 days of receipt of the commodities. All damaged commodities must be retained by the agency, along with the shipping containers and packing materials, until the claim is settled. Contact information for the State's approved carriers is available in the **For State Agencies** area of the Acquisition Services website at www.michigan.gov/doingbusiness.

All damaged commodities must be retained, along with the shipping containers and packing materials, until the claim is settled.

Shortages in Transit:

- The driver should sign the freight bill and list any shortages in the shipment.
- The shortages should be indicated by the agency on the Procurement Receiving (ADPICS 3110).

F.O.B. Delivered Shipments, F.O.B. Shipping Point and F.O.B. Shipping Point / Freight Allowed Shipments: If the missing commodities are not received within one week with a free astray bill (document received with the remainder of a partial shipment for identification and delivery purposes), the agency should notify the vendor by sending a ADPICS 5260, Vendor Performance Record. Include the following:

- Copy of freight bill or delivery receipt, with a notation of the shortage and the driver's signature.
- Copy of the vendor's invoice.
- A description of the missing commodities.

Shortages received on a free astray bill after initial completion of the ADPICS 3100 should be reported as "received free astray" on a second ADPICS 3100 by entry in the notepad.

- Freight Payments for F.O.B. Shipping Point and F.O.B. Shipping Point/Freight Allowed Shipments:

Payments for transportation charges may be paid by a direct voucher on ADPICS 1800.

Acquisition Services may randomly pull past freight bill at the agencies to make sure agencies are receiving the contract discounts.

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